

**Thetford Township  
Genesee County, Michigan**

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**Annual Financial Report  
March 31, 2008  
with Independent Auditors' Report**

# Thetford Township, Michigan

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# **Thetford Township, Michigan**

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## **Introductory Section**

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# **Thetford Township, Michigan**

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## **Township Board**

Luther Hatchett	Supervisor
Shelly L. Ayotte	Treasurer
Julie C. Paulson	Clerk
John A. Congdon	Trustee
Cynthia R. Hicks	Trustee
Eileen Kerr	Trustee
David M. Phillips	Trustee

## **Financial Section**

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## Independent Auditors' Report

The Honorable Members  
of the Township Board  
Thetford Township  
Clio, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Thetford Township, Michigan (Township) as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Thetford Township, Michigan at March 31, 2008, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Members  
of the Township Board  
Thetford Township

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Thetford Township's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Plante & Moran, PLLC*

September 29, 2008



## **Management's Discussion and Analysis**

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# Thetford Township, Michigan

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## Management's Discussion and Analysis

Our discussion and analysis of Thetford Township's financial performance provides an overview of the Township's financial activities for the fiscal year that ended on March 31, 2008. Please read it in conjunction with the Township's financial statements.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008:

- The Township's Total Net Assets were \$4.4 million. Unrestricted net assets were \$3.0 million.
- During the year, the Township's governmental expenses were \$98,121 more than the \$1.5 million generated in taxes and other revenues for governmental programs.
- General fund expenditures exceeded revenues by \$119,652.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

### Financial Analysis of the Township as a Whole

#### **Net assets**

The Township's governmental activities net assets are \$2.3 million. The unrestricted governmental activities net assets are \$1.5 million. Business-type activities net assets are \$2.1 million with \$.6 million being invested in capital assets net of related debt.

#### **Governmental Activities**

The Township's governmental activity revenues were \$1.5 million this year and \$1.3 million last year. Property taxes were \$155,951 and \$151,102 for 2008 and 2007, respectively; property taxes were 12% percent of total revenues for both 2008 and 2007. State revenue sharing made up \$569,048 or 37 percent of the total revenue and \$577,043 or 30 percent of the total revenue for 2008 and 2007 respectively. Charges for services were \$504,560 or 33 percent of the total revenue and \$463,081 or 36 percent of the total revenue for 2008 and 2007 respectively. The remaining General Fund revenues are comprised mostly of grants and interest revenue.

# Thetford Township, Michigan

## Management's Discussion and Analysis (Continued)

### Business-Type Activities

During 2008, operating revenues of the Township's business-type activities increased \$14,935 from the prior year of \$187,434 to \$202,369. Operating expenses increased by \$52,035. Net changes from non-operating activities decreased from revenue of \$78,895 to a revenue of \$53,595. The Township also had capital grants and contributions of \$145,654 in 2008. During 2007, operating revenues of the Township's business-type activities increased \$9,387 from the prior year of \$178,047 to \$187,434. Operating expenses increased by \$3,636. Net changes from non-operating activities increased from revenue of \$36,932 to a revenue of \$78,895.

### Thetford Township's Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$1,789,193	\$1,880,945	\$1,492,004	\$1,463,597	\$3,281,197	\$3,344,542
Capital assets	552,032	516,007	696,006	611,084	1,248,038	1,127,091
Total assets	2,341,225	2,396,952	2,188,010	2,074,681	4,529,235	4,471,633
Long-term liabilities outstanding	17,094	-	37,942	100,342	55,036	100,342
Other liabilities	60,322	35,022	48,480	18,011	108,802	53,033
Total liabilities	77,416	35,022	86,422	118,353	163,838	153,375
Net assets:						
Invested in capital assets, net of related debt	532,232	516,007	643,368	510,742	1,175,600	1,026,749
Restricted	210,329	226,399	-	-	210,329	226,399
Unrestricted	1,521,248	1,619,524	1,458,220	1,445,586	2,979,468	3,065,110
Total net assets	\$2,263,809	\$2,361,930	\$2,101,588	\$1,956,328	\$4,365,397	\$4,318,258

### Thetford Township's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 504,560	\$ 469,558	\$ 202,369	\$ 187,434	\$ 706,929	\$ 656,992
Operating grants and Contributions	191,496	7,718	-	-	191,496	7,718
Capital grants and contributions	-	-	145,654	-	145,654	-
General revenues:						
Property taxes	155,951	151,102	-	-	155,951	151,102
Other taxes	569,048	577,043	-	-	569,048	577,043
Gain on sale of capital assets	-	12,970	-	-	-	12,970
Unrestricted earnings	69,375	68,964	53,595	78,895	122,970	147,859
Total revenues	1,490,430	1,287,355	401,618	266,329	1,892,048	1,553,684

# Thetford Township, Michigan

## Management's Discussion and Analysis (Continued)

### Thetford Township's Changes in Net Assets (Continued)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Expenses:						
General government	668,992	688,206	-	-	668,992	688,206
Public safety	299,247	226,054	-	-	299,247	226,054
Public service	421,904	369,286	-	-	421,904	369,286
Health and welfare	10,718	55,118	-	-	10,718	55,118
Recreation and culture	187,690	21,746	-	-	187,690	21,746
Water and sewer	-	-	256,358	204,323	256,358	204,323
Total expenses	1,588,551	1,360,410	256,358	204,323	1,844,909	1,564,733
Increase (decrease) in net assets	(98,121)	(73,055)	145,260	62,006	47,139	(11,049)
Net assets - April 1, 2007	2,361,930	2,434,985	1,956,328	1,894,322	4,318,258	4,329,307
Net assets - March 31, 2008	\$2,263,809	\$2,361,930	\$2,101,588	\$1,956,328	\$4,365,397	\$4,318,258

### Financial Analysis of the Township's Funds

As the Township completed the year, its General Fund reported a fund balance of \$1.5 million. This was a decrease of \$119,652 from the prior year. The Township's General Fund revenues excluding other financing sources were \$1.28 million this year and \$1.26 million last year.

### Capital Assets

At the end of 2008, the Township had invested \$532,232 in capital assets, net of related debt for governmental activities and \$643,368 for business-type activities.

### Long-term Debt

At the end of the current fiscal year, Thetford Township had total debt outstanding of \$72,438. Of this amount, \$72,438 comprises debt backed by the full faith and credit of the government. A portion of the debt, \$52,638, is non-interest bearing, a discount has been calculated at 8%. The discount amounted to \$5,086 at the end of the current fiscal year. The remaining portion, \$19,800, is collateralized by assets of the Township.

### Thetford Township's Outstanding Debt

#### General Obligation and Revenue Bonds

	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Contracts payable	\$ 19,800	\$ 52,638	\$ 72,438

# **Thetford Township, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Limitations on Debt**

The State limits the amount of general obligation debt the Township can issue to 10% of the assessed value of all taxable property within the Township's corporate limits. Our legal debt limit is \$21.9 million. The Township's water and sewer is exempted from consideration in the 10% limit computation.

### **Budget**

The budget for 2008 was amended as required by State law. Both the original budget and the amended budget have been shown in this document for 2008. The Township has again produced a timely and balanced budget for 2009.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, we welcome you to contact the Clerk's office.

## **Basic Financial Statements**

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## **Government-wide Financial Statements**

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# Thetford Township

## Statement of Net Assets March 31, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and equivalents	\$ 728,173	\$ 190,303	\$ 918,476
Investments	882,029	1,190,228	2,072,257
Receivables	94,523	92,751	187,274
Due from other governments	88,929	14,259	103,188
Internal balances	(4,463)	4,463	-
Capital assets - land	113,320	-	113,320
Capital assets (net of accumulated depreciation)	438,712	696,006	1,134,718
<b>Total assets</b>	<b>2,341,223</b>	<b>2,188,010</b>	<b>4,529,233</b>
<b>Liabilities</b>			
Accounts payable and other current liabilities	21,889	33,784	55,673
Due to other governments	17,487	-	17,487
Deferred Revenue	18,238	-	18,238
Noncurrent liabilities:			
Due within one year	2,706	14,696	17,402
Due in more than one year	17,094	37,942	55,036
<b>Total liabilities</b>	<b>77,414</b>	<b>86,422</b>	<b>163,836</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	532,232	643,368	1,175,600
Restricted for:			
Perpetual care:			
Expendable	175,403	-	175,403
Nonexpendable	33,874	-	33,874
Senior center	1,052	-	1,052
Unrestricted	1,521,248	1,458,220	2,979,468
<b>Total net assets</b>	<b>\$ 2,263,809</b>	<b>\$ 2,101,588</b>	<b>\$ 4,365,397</b>

See Notes to Financial Statements.



# Thetford Township

Functions\Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
General government	\$ 668,992	\$ 136,425	\$ -	\$ -
Public safety	299,247	22,058	-	-
Public service	421,904	343,577	-	-
Health and welfare	10,718	-	-	-
Recreation and culture	185,190	-	191,496	-
Total governmental activities	1,586,051	502,060	191,496	-
Business-type activities				
Sewer and water	256,358	202,369	-	145,654
Total business-type activities	256,358	202,369	-	145,654
Total primary government	<b>\$ 1,842,409</b>	<b>\$ 704,429</b>	<b>\$ 191,496</b>	<b>\$ 145,654</b>

General revenues:

- Property taxes
- Sales tax
- Investment earnings

        Total general revenues

## Change in Net Assets

**Net Assets** - Beginning of year

**Net Assets** - End of year

**Statement of Activities**  
**Year Ended March 31, 2008**

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (532,567)	\$ -	\$ (532,567)
(277,189)	-	(277,189)
(78,327)	-	(78,327)
(10,718)	-	(10,718)
6,306	-	6,306
(892,495)	-	(892,495)
-	91,665	91,665
-	91,665	91,665
(892,495)	91,665	(800,830)
155,951	-	155,951
569,048	-	569,048
69,375	53,595	122,970
794,374	53,595	847,969
(98,121)	145,260	47,139
2,361,930	1,956,328	4,318,258
<b>\$ 2,263,809</b>	<b>\$ 2,101,588</b>	<b>\$ 4,365,397</b>

## **Fund Financial Statements**

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# Thetford Township

	General Fund	Special Revenue Cemetery	Senior Millage
<b>Assets</b>			
Cash and cash equivalents	\$ 645,589	\$ 46,641	\$ 33,287
Investments	722,086	159,943	-
Receivables:			
Property taxes	50,136	-	-
Accounts	14,395	-	-
Accrued interest	29,839	153	-
Due from other funds	-	2,540	-
Due from other governments	88,929	-	-
Total assets	<b>\$ 1,550,974</b>	<b>\$ 209,277</b>	<b>\$ 33,287</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 15,161	\$ -	\$ 1,153
Deposits and advances	5,575	-	-
Due to other funds	7,003	33,874	-
Due to other governmental units	17,487	-	-
Deferred revenue	-	-	18,238
Total liabilities	45,226	33,874	19,391
<b>Fund Balances</b>			
Reserved for:			
Senior center	1,052	-	-
Perpetual care	-	-	-
Unreserved, undesignated, reported in:			
General fund	1,504,696	-	-
Special revenue	-	175,403	13,896
Total fund balances	1,505,748	175,403	13,896
Total liabilities and fund balances	<b>\$ 1,550,974</b>	<b>\$ 209,277</b>	<b>\$ 33,287</b>

See Notes to Financial Statements.

**Balance Sheet**  
**Governmental Funds**  
**March 31, 2008**

Other Nonmajor Governmental Funds	Total Governmental Funds
2,656	\$ 728,173
-	882,029
-	50,136
-	14,395
-	29,992
33,874	36,414
-	88,929
<b>\$ 36,530</b>	<b>\$ 1,830,068</b>

\$ -	\$ 16,314
-	5,575
-	40,877
-	17,487
-	18,238
-	98,491

-	1,052
33,874	33,874
-	1,504,696
2,656	191,955
36,530	1,731,577
<b>\$ 36,530</b>	<b>\$ 1,830,068</b>

See Notes to Financial Statements.

# Thetford Township

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## **Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets Year Ended March 31, 2007**

Fund balances reported in governmental funds	\$ 1,731,577
Amounts reported for governmental activities in the statement of net assets are different because:	
Debt payables are not due and payable in the current period and are not reported in the funds	(19,800)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>552,032</u>
Net assets of governmental activities	<u><u>\$ 2,263,809</u></u>

See Notes to Financial Statements.

# Thetford Township

	General Fund	Special Revenue	
		Cemetery	Senior Millage
<b>Revenue</b>			
Property taxes	\$ 156,018	\$ -	\$ -
Special assessments	14,799	-	-
Licenses and permits	40,376	-	-
Intergovernmental - State	577,109	-	183,435
Charges for services	408,434	-	-
Interest and dividends	62,949	4,951	330
Rent	3,725	-	-
Sale of lots	-	10,800	-
Other	20,289	3,570	1,145
Total revenue	1,283,699	19,321	184,910
<b>Expenditures</b>			
Current:			
Legislative	105,091	-	-
General government	499,788	27,683	-
Public safety	332,388	-	-
Public works	406,680	-	-
Health and welfare	100	-	-
Recreation and culture	15,250	-	189,588
Insurance and bonds	47,980	-	-
Total expenditures	1,407,277	27,683	189,588
<b>Excess of Revenues Over (Under) Expenditures</b>	(123,578)	(8,362)	(4,678)
<b>Other Financing Sources (Uses)</b>			
Proceeds from loan	25,000	-	-
Transfers	(21,074)	-	18,574
<b>Net Change in Fund Balances</b>	(119,652)	(8,362)	13,896
<b>Fund Balances - Beginning of year</b>	1,625,400	183,765	-
<b>Fund Balances - End of year</b>	<b>\$ 1,505,748</b>	<b>\$ 175,403</b>	<b>\$ 13,896</b>

See Notes to Financial Statements.

**Governmental Funds**

**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Year Ended March 31, 2007**

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 156,018
-	14,799
-	40,376
-	760,544
-	408,434
-	68,230
-	3,725
-	10,800
-	25,004
-	1,487,930
-	105,091
-	527,471
-	332,388
-	406,680
-	100
2,728	207,566
-	47,980
2,728	1,627,276
(2,728)	(139,346)
-	25,000
2,500	-
(228)	(114,346)
36,758	1,845,923
<b>\$ 36,530</b>	<b>\$ 1,731,577</b>

See Notes to Financial Statements.



# Thetford Township

## **Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2007**

**Net Change in Fund Balances - Total Governmental Funds** \$ (114,346)

Amounts reported for governmental activities in the statement of activities (pages 9-10)  
are different because:

Governmental funds report capital outlays as expenditures; however, in the  
statement of activities, these costs are allocated over their estimated  
useful lives as depreciation:

Capital outlay	97,942
Depreciation expense	(61,917)

The issuance of long-term debt (e.g. loans) provides current financial  
resources to governmental funds, while the repayment of the principal  
of long-term debt consumes the current financial resources of  
governmental funds. Neither transaction, however, has any effect on  
net assets. These are the effects of these differences in the treatment  
of long-term debt and related items

Loan payments	5,200
Proceeds from loan	(25,000)

Change in Net Assets of Governmental Activities	<u><u>\$ (98,121)</u></u>
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# Thetford Township

## Proprietary Fund Statement of Net Assets March 31, 2008

	Enterprise Fund
	Sewer and Water
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 190,303
Investments	1,190,228
Receivables:	
Accounts	30,141
Unbilled utility	42,168
Tap-in fees	195
Accrued interest	20,247
Due from other funds	4,463
Due from other governments	14,259
Total current assets	1,492,004
Capital assets - net of accumulated depreciation	696,006
Total assets	2,188,010
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	33,784
Debt due within on year	14,696
Total current liabilities	48,480
Non current liabilities:	
Debt due within more than one year	37,942
Total liabilities	86,422
<b>Net Assets</b>	
Invested in capital assets, net of related debt	643,368
Unrestricted	1,458,220
Total net assets	\$ 2,101,588

See Notes to Financial Statements.

# Thetford Township

## Proprietary Fund Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended March 31, 2008

	Enterprise Fund
	Sewer and Water
<b>Operating Revenue</b>	
Charges for services	\$ 193,305
Interest and penalties	9,064
Total operating revenue	202,369
<b>Operating Expenses</b>	
Depreciation	60,732
Maintenance cost	27,868
Service fees	156,554
Agent fees	104
Total operating expenses	245,258
<b>Operating Loss</b>	(42,889)
<b>Nonoperating Revenue (Expenses)</b>	
Interest and dividend income	53,595
Capital grants	145,654
Interest expense	(11,100)
Total nonoperating revenues	188,149
<b>Change in Net Assets</b>	145,260
<b>Net Assets - Beginning of the year</b>	1,956,328
<b>Net Assets - End of the year</b>	<b>\$ 2,101,588</b>

See Notes to Financial Statements.

# Thetford Township

## Proprietary Fund Statement of Cash Flows Year Ended March 31, 2007

	Enterprise Fund
	Sewer and Water
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 147,027
Payments to suppliers	(125,704)
Net cash provided by operating activities	21,323
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(145,654)
Principal paid on long term debt	(57,724)
Receipt of capital grants	145,654
Interest paid on long term debt	(1,080)
Net cash provided by capital and related financing activities	(58,804)
<b>Cash Flows from Investing Activities</b>	
Increase in investments	(9,179)
Interest on investments and tap-in fees	65,279
Net cash used in investing activities	56,100
<b>Net Decrease in Cash and Cash Equivalents</b>	18,619
<b>Cash and Cash Equivalents - Beginning of year</b>	171,684
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 190,303</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating loss	\$ (42,889)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	60,732
Changes in assets and liabilities:	
Receivables	(55,342)
Accounts payable	58,822
Net cash provided by operating activities	<b>\$ 21,323</b>

### Noncash Transactions:

The water bond issue is recorded at a discount. The discount is amortized over the life of the bond. The amount of discount recognized in 2008 related to the bond issue is \$10,020.

See Notes to Financial Statements.

# Thetford Township

## Fiduciary Funds Statement of Fiduciary Net Assets March 31, 2008

	Agency Funds		Total
	Trust and Agency	Tax Collections	
<b>Assets</b>			
Cash and cash equivalents	\$ 13,076	\$ 2,640	\$ 15,716
Total assets	<b>\$ 13,076</b>	<b>\$ 2,640</b>	<b>\$ 15,716</b>
<b>Liabilities</b>			
Deposits and advances	\$ 12,639	\$ -	\$ 12,639
Accounts Payable	437	2,640	3,077
Total liabilities	<b>\$ 13,076</b>	<b>\$ 2,640</b>	<b>\$ 15,716</b>

## **Notes to Basic Financial Statements**

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# Thetford Township, Michigan

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## Notes to Financial Statements March 31, 2008

### Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Thetford Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Thetford Township:

#### A. Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Thetford Township, Michigan (the primary government). Component units would be included in the Township's reporting entity because of the significance of their operational or functional relationships with the primary government. The Township had no component units at March 31, 2008.

The following organizations are not considered component units of Thetford Township and are excluded from the accompanying financial statements for the reasons stated.

#### Clio Area Library, Clio Area Fire Authority and Clio Area Parks and Recreations Board:

- Financed by other communities besides the Township of Thetford
- Serves several communities outside the Township
- Thetford Township has no obligation to fund deficits of the library or guarantee its debt; nor is it responsible for approving the library's operating budget.

The Clio Area Library and Clio Area Fire Authority have June 30 and March 31 year ends, respectively. Audited financial statements of both organizations for the years ended June 30, 2007 and March 31, 2008 are available for public inspection at Thetford Township. Thetford Township joined the Clio Area Parks and Recreation Board during the summer of 2007. The Board has not formally adopted a year-end but terms for Board members end on January 1. The Board has not had an audit.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenue*.

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **B. Government-wide and Fund Financial Statements (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenue is considered to be *available* if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences and claims and judgments, are recorded only when payment is due.

The following major revenue sources meet the availability criterion: state shared revenue and interest associated with the current fiscal period. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

The Township reports the following major governmental fund:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Perpetual Care Permanent Fund is used to account for principle trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery. The permanent fund is used to report resources that are legally restricted to the extent that only earnings, no principle, may be used for purposes that support the reporting government's programs.

The Senior Millage Fund is used to account for the revenues earned and expenditures incurred by the Township as a grantee of the Senior Citizens Millage Program. This program includes senior citizens activities.



# Thetford Township, Michigan

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## Notes to Financial Statements March 31, 2008

### Note I - Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The government reports the following major proprietary fund:

The Water Supply and Sewer Disposal System. Separate funds are not maintained for the operations of the water distribution system and sewage pumping and collection systems that transmit the sewage to Genesee County's treatment plant.

Additionally, the government reports the following fund types:

Agency Funds account for assets held by the Township as an agent for individuals, private organizations and other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

#### D. Property Taxes

Property taxes attach as an enforceable lien on property as of December 1. Taxes are also levied on December 1, and are payable without penalty through February 28. The Township bills and collects its own property taxes and also taxes for the county and several school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Current Tax Agency Fund.

# Thetford Township, Michigan

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## Notes to Financial Statements March 31, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### D. Property Taxes (Continued)

The Township is permitted by law to levy up to \$1.00 per \$1,000 (1 mill) of taxable value for general governmental services other than the payment of principal and interest on long-term debt. The tax rate to finance such general governmental services for the year ended March 31, 2008, was \$.9340 per \$1,000. The Township is permitted to levy unlimited amounts for payment of existing general long-term debt obligations. As of March 31, 2008, \$-0- per \$1,000 of taxable valuation was being levied for long-term debt retirement. The Township also assesses a garbage assessment of \$131 per household.

#### E. Assets, liabilities, and net assets or equity

##### 1. Deposits

Cash deposits are carried at cost plus accrued interest and consist of checking accounts and short-term investments with original maturity of three months or less from the date of acquisition.

##### 2. Investments:

Investments for the Township, are stated at fair value. Certificates of deposit with a maturity date of three months or greater at time of purchase are recorded as investments on the financial statements.

##### 3. Receivables and payables

In general, outstanding balances between funds are reported as "due to/from other funds" and activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles.

##### 4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and a useful life over one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired beginning with the fiscal year ended March 31, 2005. Prior to the implementation of GASB No. 34, records on these assets were not maintained.

# Thetford Township, Michigan

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## Notes to Financial Statements March 31, 2007

### Note I - Summary of Significant Accounting Policies (Continued)

#### E. Assets, Liabilities, and Net Assets or Equity (Continued)

##### 4. Capital assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-30
Vehicles	5-15
Equipment and furniture	3-10
Computer equipment	3
Roads	15

##### 5. Vacation and sick pay

Full-time, permanent employees are granted three sick and two personal days each year. Any unused personal days may be accumulated for a maximum of 50 days over a 10-year period, at which time, if unused, will expire. On separation from employment an employee shall not receive pay for any sick or personal accumulated days.

Full-time employees are granted vacation benefits in varying amounts depending on tenure with the Township. Failure to take vacation time in one year does not entitle the employee to additional time off at any future date. On separation from employment for reasons other than cause or resignation without notice, an employee shall receive vacation pay for any accrued vacation.

##### 6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

- Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# Thetford Township, Michigan

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## Notes to Financial Statements March 31, 2008

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **E. Assets, Liabilities, and Net Assets or Equity (Continued)**

##### **7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

##### **8. Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

#### **A. Budgetary information**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General Fund and the Senior Millage Fund.
2. A public hearing is conducted at the Township Hall to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted on a departmental level for General and Senior Millage Funds through passage of a resolution and in accordance with Public Act 621 of 1978 of the State of Michigan. No budget was adopted for the Cemetery Special Revenue Fund.
4. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budget appropriations lapse at year-end, except for certain federal grants which are appropriated on a contract (grant) length basis.
6. The original budget was amended during the year in compliance with the Township bylaws and applicable state laws.

# Thetford Township, Michigan

## Notes to Financial Statements March 31, 2008

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

#### B. Excess of expenditures over appropriations

The following fund incurred expenditures in excess of appropriations (at departmental levels) as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
General Fund:			
Legal	\$ 60,000	\$ 66,414	\$ 6,414
Clerk	73,976	74,109	133
Board of appeals	2,230	2,422	192
Transfers	3,000	21,074	18,074

#### C. Construction Code Fees

The Township oversees building construction, in accordance with the state's construction code act, inclusion inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at April 1, 2007	\$ (128,647)
Construction permit revenue	10,293
Expenditures:	
Professional services	<u>(17,091)</u>
Cumulative shortfall at March 31, 2008	<u>\$ (135,445)</u>

### Note 3 - Detailed Notes on All Funds

#### A. Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

# Thetford Township, Michigan

## Notes to Financial Statements March 31, 2008

### Note 3 - Detailed Notes on All Funds (Continued)

#### A. Deposits and Investments (Continued)

The government has designated six banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,512,593 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### B. Receivables

Receivables as of year end for the Township's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	General Fund	Perpetual Care	Nonmajor and Other Funds	Total
Receivables:				
Taxes	\$ 50,136	\$ -	\$ -	\$ 50,136
Accounts	14,395	-	-	14,395
Interest	29,839	153	-	29,992
Gross receivables	94,370	153	-	94,523
Less: allowance for uncollectibles	-	-	-	-
Net total receivables	\$ 94,370	\$ 153	\$ -0-	\$ 94,523

# Thetford Township, Michigan

## Notes to Financial Statements March 31, 2008

### Note 3 - Detailed Notes on All Funds (Continued)

#### B. Receivables (Continued)

Business type activities:

	Water and Sewer
Receivables:	
Accounts	\$ 72,309
Interest	20,247
Special assessments	<u>195</u>
Gross receivables	92,751
Less: allowance for uncollectibles	<u>-</u>
Net total receivables	<u><u>\$92,751</u></u>

#### C. Capital Assets

Capital asset activity for the year ended March 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 113,320	\$ -	\$ -	\$ 113,320
Total capital assets, not being depreciated	<u>113,320</u>	<u>-</u>	<u>-</u>	<u>113,320</u>
Capital assets, being depreciated:				
Buildings	715,356	2,370	-	717,726
Building & land improvements	338,410	24,090	-	362,500
Computers	17,491	2,335	-	19,826
Furniture	46,751	8,949	-	55,700
Machinery, vehicles, and equipment	317,434	60,198	-	377,632
Infrastructure	<u>228,362</u>	<u>-</u>	<u>-</u>	<u>228,362</u>
Total capital assets being depreciated	<u>1,663,804</u>	<u>97,942</u>	<u>-</u>	<u>1,761,746</u>

# Thetford Township, Michigan

## Notes to Financial Statements March 31, 2008

### Note 3 - Detailed Notes on All Funds (Continued)

#### C. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities (Continued)</b>				
Less accumulated depreciation for:				
Buildings	661,798	16,548	-	678,346
Building & land improvements	237,699	6,477	-	244,176
Computers	16,656	1,224	-	17,880
Furniture	45,297	444	-	45,741
Machinery, vehicles, and equipment	253,995	22,000	-	275,995
Infrastructure	45,672	15,224	-	60,896
Total accumulated depreciation	1,261,117	61,917	-	1,323,034
Total capital assets, being depreciated, net	402,687	36,025	-	438,712
Governmental activities capital assets, net	\$ 516,007	\$ 36,025	\$ -	\$ 552,032

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital assets, being depreciated:				
Improvements other than buildings	\$ 2,283,611	\$ 145,654	\$ -	\$ 2,429,265
Total capital assets, being depreciated	2,283,611	145,654	-	2,429,265
Less accumulated depreciation for:				
Improvements other than buildings	(1,672,527)	(60,732)	-	(1,733,259)
Total accumulated depreciation	(1,672,527)	(60,732)	-	(1,733,259)
Total capital assets, being depreciated, net	\$ 611,084	\$ 84,922	\$ -	\$ 696,006

Depreciation expense was charged to functions/programs of the primary government as follows:

#### Governmental activities:

##### Current:

General government	\$ 21,787
Public safety	8,238
Public works	15,224
Health and welfare	10,618
Recreation and cultural	6,050

Total depreciation expense - governmental activities \$ 61,917



# Thetford Township, Michigan

## Notes to Financial Statements March 31, 2008

### Note 3 - Detailed Notes on All Funds (Continued)

#### C. Capital Assets (Continued)

Business-type activities:

Sewer and water	<u>\$ 60,732</u>
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#### D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of March 31, 2007 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer	General	\$ 4,463
Cemetery	General	2,540
Nonmajor government funds	Cemetery	<u>33,874</u>
		<u>\$ 40,877</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund providing resources</u>	<u>Fund receiving resources</u>	<u>Amount</u>
General Fund	Senior Millage Fund	\$18,574

The transfer from the General Fund to the Senior Millage Fund represents the use of unrestricted resources to finance the program in line with the senior millage grant requirements.

#### E. Lease

The Township leased equipment under an operating lease agreement with De Lage Landen in January 2005. The monthly payments are \$142.96 and the life of the lease is 48 months. Total cost for the lease for the current year was \$1,716. The minimum future lease payments are listed below:

<u>Year</u>	
2009	\$ 1,287

# Thetford Township, Michigan

## Notes to Financial Statements March 31, 2008

### Note 3 - Detailed Notes on All Funds (Continued)

#### F. Long-term Debt

The Township issues bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements and installment purchase agreements are also general obligations of the government.

The Township has the following long term debt outstanding as of March 31, 2008:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
2007 installment loan, used to purchase a police car, bearing interest of 5%, maturing 2010	<u>\$ 19,800</u>
Business Type Activities:	
Contract payable, for a water line, non-interest bearing, maturing 2011	\$ 37,942
Contract payable, for a sewer line, bearing interest of 5%, maturing 2009	<u>14,696</u>
Total Business Type Activities	<u>\$ 52,638</u>

A summary of long-term liability transactions for the year ended March 31, 2008, and the composition of the March 31, 2008, long-term debt balance follows:

	<u>Balance at April 1, 2007</u>	<u>Payments During Year</u>	<u>New Loans</u>	<u>Discount Amortized During Year</u>	<u>Balance at March 31, 2008</u>	<u>Due Within One Year</u>
Governmental activities:						
Installment loan	\$ -	\$ 5,200	\$ 25,000	\$ -	\$ 19,800	\$ 2,706
Business activities:						
Contract payable						
Genesee County						
- sewer line	\$ 29,393	\$ 14,697	\$ -	\$ -	\$ 14,696	\$ 14,696
Contract payable						
- water line	70,949	43,027	-	10,020	37,942	-
Total business-type activities	<u>\$100,342</u>	<u>\$ 57,724</u>	<u>\$ -</u>	<u>\$ 10,020</u>	<u>\$ 52,638</u>	<u>\$ 14,696</u>

# Thetford Township, Michigan

## Notes to Financial Statements March 31, 2008

### Note 3 - Detailed Notes on All Funds (Continued)

#### F. Long-term Debt (Continued)

Contracts payable:

The Township has entered into contracts with the County of Genesee for the construction of sewer and water lines. Pursuant to these contracts, the County has sold bond issues for the construction of a sanitary sewage disposal system, a sewer trunk system, a sewer lateral system, and a water supply system. The full faith and credit of the Township has been pledged to the prompt payment of the principal and interest thereon, as it becomes due. As of March 31, 2008, all principal and interest payments due have been made. The Township does not maintain accounts or records pertaining to the issuance of bonds or the disposition of proceeds. The Township participates with a number of other municipalities in the construction and paying off of the debt on the countywide sanitary sewage disposal system. Only the Township's percentage of debt has been recorded in the Township's financial statements. The total principal outstanding on the sewer contract at March 31, 2008 is \$14,696.

The water line contract is non-interest bearing. The face amount of the contract at March 31, 2008 is \$43,028. The discount has been calculated at 8%. Only the principal portion of the note has been shown as a liability.

Year Ending March 31	Face	Discount	Principal
2010	\$ 21,514	\$ 3,492	\$ 18,022
2011	21,514	1,594	19,920
	<u>\$ 43,028</u>	<u>\$ 5,086</u>	<u>\$ 37,942</u>

Annual debt requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 2,706	\$ 1,288	\$ 3,994	\$ 14,696	\$ 1,327	\$ 16,023
2010	8,339	855	9,194	18,022	3,882	21,904
2011	8,755	438	9,193	19,920	1,594	21,514
Total	<u>\$ 19,800</u>	<u>\$ 2,581</u>	<u>\$ 22,381</u>	<u>\$ 52,638</u>	<u>\$ 6,803</u>	<u>\$ 59,441</u>

# Thetford Township, Michigan

## Notes to Financial Statements March 31, 2008

### Note 3 - Detailed Notes on All Funds (Continued)

#### F. Long-term Debt (Continued)

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10% of the assessed real and personal property in the Township. As of March 31, 2008, Thetford Township has \$19,800 incurred indebtedness which would be limited under Act 359. The Township's existing sewer and water debts are specifically exempted from consideration in the 10% limit computation.

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$208,327,221	\$ 156,615,688
Qualified real property	365,240	327,050
Personal property	11,019,290	11,019,290
Total	<u>\$219,711,751</u>	<u>\$167,962,028</u>

### Note 4 - Other information

#### A. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Township has purchased commercial insurance for coverage of all claims except employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays unemployment claims on a reimbursement basis.

#### B. Deferred Compensation and Other Post-employment Benefits

Deferred compensation:

The Township offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The Township also uses this plan to provide pension benefits for all of its full time employees at least eighteen years of age. The plan is on a calendar year. An employee must contribute 2.5 percent of their compensation and may make an additional voluntary contribution of up to 10% of their annual compensation. Payroll costs of all employees and plan participants amounted to \$397,075 and \$247,670, respectively in fiscal year 2008. During the current year, the General Fund contributed the Township's portion of the pension cost, amounting to \$24,767, which is 10% of eligible wages. Employees made required and voluntary contributions to the plan during the current year. The plan is administered by the Township Clerk. Investments are made through GLP Investment Services which hold the assets of the plan within a trust. As a result, the plan assets are not reflected on the financial statements since the Township has no fiduciary or administrative responsibility for these plans. It is the policy of the Township to pay the pension costs as accrued.

The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency. The normal retirement age under this plan is sixty-five.

# Thetford Township, Michigan

## Notes to Financial Statements March 31, 2008

### Note 4 - Other Information (Continued)

#### B. Deferred Compensation and Other Post-employment Benefits (Continued)

Post employment benefits other than pension:

The Township provides health benefits to certain employees after they retire or leave office. The ordinance provides that health, medical, and dental care benefits will be provided to eligible retirees if similar benefits are not available to the retiree. All employees and elected or appointed officials with a minimum of 10 years of service are eligible. The Township provides premium coverage based on a point system in which one point per year is given for number of years served plus years of age at retirement to determine benefit coverage. Full coverage is provided if 75 total points are attained and half coverage if at least 65 total points are attained. For the current year there were six eligible employees. The cost paid by the Township was \$32,291.

Upcoming reporting change: The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended March 31, 2009.

#### C. Segment Information for Enterprise Funds

The Township maintains an Enterprise Fund which provides water and sewer services. Segment information for the year ended March 31, 2008, is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Fund</u>
Operating revenues	\$ -	\$ 202,369	\$ 202,369
Depreciation	14,141	46,591	60,732
Operating income (loss)	(14,141)	(28,748)	(42,889)
Non-operating revenues (expenses)	-	188,149	188,149
Net income (loss)	(14,141)	159,401	145,260
Plant, property, and equipment	457,003	239,003	696,006
Current assets	1,533	1,490,471	1,492,004
Current liabilities	321	33,463	33,784
Long term debt:			
Bond payable	43,028	14,696	57,724
Discount on bond	(5,086)	-	(5,086)
Net working capital	1,212	1,457,008	1,458,220
Total equity:			
Invested in capital assets	419,061	224,307	643,368
Unrestricted	1,212	1,457,008	1,458,220
Total net assets	420,273	1,681,315	2,101,588

# Thetford Township, Michigan

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## Notes to Financial Statements March 31, 2008

### Note 4 - Other Information (Continued)

#### D. Joint Governed Organizations

In April 1976, the Thetford Township entered into a joint governed organization with the City of Clio and the Charter Township of Vienna to create the Clio Area Fire Authority (this agreement was amended March 2007). The purpose of this joint venture was to obtain adequate fire protection for residents of the Township. The amended agreement provides for each of the three municipalities to contribute the equivalent of one mill of the state equalized valuation of real and personal property within their boundaries or an equal amount from the general fund by April 1<sup>st</sup> of each year. The contribution made by Thetford Township during 2008 was \$167,636. The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Authority, the distribution of equipment or cash equivalent to the withdrawing unit's share shall be determined by unanimous consent of the members. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the future. The contract has been amended with an effective date of April 1, 2007.

The following is a summary of selected financial information from the last available statement of the Clio Area Fire Authority:

	Year Ended March 31, 2008
Total assets	\$1,520,768
Total liabilities	42,360
Total fund equity	1,478,408
Total revenues	523,118
Total expenditures	494,465

The Clio Area Library was formed by the City of Clio, Charter Township of Vienna, and Thetford Township effective March 20, 1978, replacing the library fund previously operated by the City of Clio. The Library's operation is funded by contributions made by the participating units. Each unit's contribution is based on the usage rate of the library system by its residents. The contribution paid by Thetford Township during 2008 was \$7,303. Should any participating municipality decide to withdraw from the Clio Area Library, it is to give written notice and, upon a favorable vote of the majority, will be released from the agreement. The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Authority, the distribution of equipment or cash equivalent to the withdrawing unit's share would be determined by unanimous consent of the members. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the future.

# Thetford Township, Michigan

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## Notes to Financial Statements March 31, 2008

### Note 4 - Other Information (Continued)

#### D. Joint Governed Organizations (Continued)

The following is selected financial information of the Clio Area Library from the latest audited financial statements:

	Year Ended <u>June 30, 2007</u>
Total assets	\$260,231
Total liabilities	-
Total fund equity	260,231
Total revenues	45,273
Total expenditures	52,558

#### E. Summary Disclosure of Contingent Liabilities

Grants:

The Township participates in the Department of Housing and Urban Development Community Block Grant Program. These programs are subject to compliance audits by the granting agency. During the year ended March 31, 2008, the Township was not required to have a compliance audit performed in accordance with the Single Audit Act of 1984. The amount, if any, of expenditures which may be subsequently disallowed by the granting agency cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Water Line:

The Township Board passed a resolution for the North Loop Water Line which will commit the Township to long-term bond debt through Genesee County.

#### F. Commitments

The Township has committed to a multiyear refuse collection agreement through March 31, 2009 at the following rates: April 1, 2008 through March 31, 2009 at \$11.20 per month per unit. The approximate number of units billed per month is 2,400.

## **Required Supplemental Information**

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# Thetford Township

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
<b>Revenue</b>				
Property taxes	\$ 153,100	\$ 153,100	\$ 156,018	\$ 2,918
Special assessments	14,968	14,968	14,799	(169)
Licenses and permits	51,650	51,650	40,376	(11,274)
Intergovernmental:				
Federal	182,753	182,753	-	(182,753)
State	602,900	602,900	577,109	(25,791)
Charges for services	398,300	398,300	408,434	10,134
Interest and dividends	82,000	82,000	62,949	(19,051)
Rent	6,000	6,000	3,725	(2,275)
Other	7,800	7,800	20,289	12,489
Total revenue	1,499,471	1,499,471	1,283,699	(215,772)
<b>Expenditures</b>				
Legislative:				
Township board	109,080	105,580	105,091	489
General government:				
Supervisor	41,722	42,222	41,176	1,046
Election	6,700	19,500	19,022	478
Assessor	26,600	26,600	19,182	7,418
Legal	40,000	60,000	66,414	(6,414)
Clerk	73,476	73,976	74,109	(133)
Board of review	2,475	2,475	2,234	241
Treasurer	68,728	69,228	67,203	2,025
Buildings and grounds	102,994	99,894	82,780	17,114
Health benefits	110,000	113,000	112,618	382
Cemetery	20,950	20,950	15,050	5,900
Total general government	493,645	527,845	499,788	28,057
Public safety:				
Police protection	54,595	150,595	149,321	1,274
Fire protection	160,808	160,808	160,808	-
Building inspector	25,142	25,142	17,091	8,051
Planning commission	6,700	6,700	1,168	5,532
Board of appeals	2,230	2,230	2,422	(192)
Disaster emergency	-	-	-	-
Traffic lights	2,500	2,500	1,578	922
Total public safety	251,975	347,975	332,388	15,587
Public works:				
Drains-at-large	16,000	16,000	14,235	1,765
Roads	90,500	69,600	62,339	7,261
Street lights	10,200	11,200	10,016	1,184
Garbage collection	320,000	321,000	320,090	910
Water line	182,750	182,750	-	182,750
Total public works	619,450	600,550	406,680	193,870

# Thetford Township

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
Health and welfare:				
Senior center	53,660	20,860	100	20,760
Recreation and culture:				
Park pavilion	16,300	16,300	942	15,358
Parks	500	500	-	500
Recreation hall	6,700	6,700	4,371	2,329
Library	8,560	10,560	9,937	623
Total recreation and culture	32,060	34,060	15,250	18,810
Insurance and bonds	60,000	60,000	47,980	12,020
Total expenditures	1,619,870	1,696,870	1,407,277	289,593
<b>Deficiency of Revenue Under Expenditures</b>	(120,399)	(197,399)	(123,578)	73,821
<b>Other Financing Uses</b>				
Proceeds from loan	-	-	25,000	25,000
Transfers out	(3,000)	(3,000)	(21,074)	(18,074)
<b>Net Change in Fund Balances</b>	(123,399)	(200,399)	(119,652)	80,747
<b>Fund Balances - Beginning of year</b>	1,625,400	1,625,400	1,625,400	-
<b>Fund Balances - End of year</b>	<b>\$ 1,502,001</b>	<b>\$ 1,425,001</b>	<b>\$ 1,505,748</b>	<b>\$ 80,747</b>

# Thetford Township

## Required Supplemental Information Budgetary Comparison Schedule - Senior Millage Fund Year Ended March 31, 2008

	Budget			Variance with Amended Budget
	Original	Amended	Actual	
<b>Revenue</b>				
Intergovernmental:				
State	\$ 193,805	\$ 193,805	\$ 183,435	\$ (10,370)
Interest and dividends	-	-	330	330
Other	-	-	1,145	1,145
Total revenue	193,805	193,805	184,910	(8,895)
<b>Expenditures</b>				
Recreation and culture:				
Senior Center & Activities	185,881	185,881	189,588	(3,707)
Total expenditures	185,881	185,881	189,588	(3,707)
<b>Deficiency of Revenue Under Expenditures</b>	7,924	7,924	(4,678)	(12,602)
<b>Other Financing Sources</b>				
Transfers in	(500)	-	18,574	18,574
<b>Net Change in Fund Balances</b>	7,424	7,924	13,896	5,972
<b>Fund Balances - Beginning of year</b>	-	-	-	-
<b>Fund Balances - End of year</b>	<b>\$ 7,424</b>	<b>\$ 7,924</b>	<b>\$ 13,896</b>	<b>\$ 5,972</b>

## **Other Supplemental Information**

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# Thetford Township

## Nonmajor Governmental Funds Combining Balance Sheet March 31, 2008

	Permanent Fund Perpetual Care	Special Revenue Parks and Recreation	Total
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 2,656	\$ 2,656
Due from other funds	33,874	-	33,874
Total assets	<b>\$ 33,874</b>	<b>\$ 2,656</b>	<b>\$ 36,530</b>
<b>Fund Balances</b>			
<b>Fund Balances</b>			
Reserved for:			
Perpetual care	\$ 33,874	\$ -	\$ 33,874
Unreserved	-	2,656	2,656
Total fund balances	<b>\$ 33,874</b>	<b>\$ 2,656</b>	<b>\$ 36,530</b>

# Thetford Township

## Nonmajor Governmental Funds - Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2008

	Permanent Fund	Special Revenue	
	Perpetual Care	Parks and Recreation	Total
<b>Revenue</b>			
Other	\$ -	\$ -	\$ -
Total revenue	-	-	-
<b>Expenditures</b>			
Current:			
Recreation and culture	-	2,728	2,728
Total expenditures	-	2,728	2,728
<b>Deficiency of Revenue Under Expenditures</b>	-	(2,728)	(2,728)
<b>Other Financing Sources</b>			
Transfers	-	2,500	2,500
<b>Net Change in Fund Balances</b>	-	(228)	(228)
<b>Fund Balances - Beginning of year</b>	33,874	2,884	36,758
<b>Fund Balances - End of year</b>	<b>\$ 33,874</b>	<b>\$ 2,656</b>	<b>\$ 36,530</b>

# Thetford Township

## Supplemental Information Budgetary Comparison Schedule - Parks and Recreation Year Ended March 31, 2008

	Budget			Variance with Amended Budget
	Original	Amended	Actual	
<b>Revenue</b>				
Other	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-
<b>Expenditures</b>				
Recreation and culture	2,500	2,500	2,728	(228)
Total expenditures	2,500	2,500	2,728	(228)
<b>Deficiency of Revenue Under Expenditures</b>	(2,500)	(2,500)	(2,728)	(228)
<b>Other Financing Sources</b>				
Transfers in	2,500	2,500	2,500	-
<b>Net Change in Fund Balances</b>	-	-	(228)	(228)
<b>Fund Balances - Beginning of year</b>	2,884	2,884	2,884	-
<b>Fund Balances - End of year</b>	<b>\$ 2,884</b>	<b>\$ 2,884</b>	<b>\$ 2,656</b>	<b>\$ (228)</b>

September 29, 2008

To Members of the Board  
Thetford Township  
Clio, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Thetford Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies noted below constitute material weaknesses.

### **Investments**

The balance in certificates of deposit are not being reconciled to the general ledger. Therefore as certificates of deposit are rolled over and earned interest is reinvested, the value of the certificate of deposit is higher than what is reported on the general ledger because no interest has been receipted through the cash receipts system to increase the value of certificates of deposit on the general ledger. We recommend that the certificates of deposit be reconciled to the general ledger on a monthly basis and journal entries be written to record any interest reinvested to ensure that the certificate of deposit value per the general ledger agrees to actual.



### **Sewer and Water Reconciliation**

Genesee County Water & Waste provides a monthly aged trial balance for the sewer and water receivables. This aged trial balance is not reconciled to the general ledger on a regular basis. We recommend that the aged trial balance is reconciled to the general ledger on a monthly basis and any variance be resolved.

### **Audit Adjustments**

There were a significant number of audit adjustments proposed during the course of the audit engagement. These adjustments included recording accrual entries for interest income and state shared revenue, adjusting deferred revenue on the senior millage grant, adjusting unbilled water and sewer receivables, recording accounts payable as well as recording bond discount expense, and adjusting sewer and water receivables to actual. Due to the fact that the Township did not identify that these transactions needed to be adjusted indicates that there is a material control deficiency in the Township's accounting system.

### **Capital Assets**

The Township has a form that is to be completed when a new capital asset is purchased. We noted that this form is not consistently completed and submitted with the invoice for payment of a new capital asset. Therefore new capital assets that are purchased throughout the year are not being recorded in the capital assets software on a regular basis. We would suggest that the capital asset form be consistently completed and submitted with the invoice to facilitate the recording of capital assets. We also noted that the new additions are not reconciled with the capital purchase accounts in the general ledger.

### **Expenses in Wrong Period**

During the audit, it was noted that the accounts payable was not set up. After inquiry, we were told that the accounts payable was set up through the computer. After investigation the accounts payable was posted to the next fiscal year. There are no controls in place to determine that the accrual was posted to the wrong period. Therefore, the expenses were not recognized in the proper period.

This communication is intended solely for the information and use of management, members of the Township Board, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in cursive script, appearing to read "Peggy Haw Jury".

Peggy Haw Jury, CPA, CFE

September 29, 2008

To the Members of the Board  
Thetford Township

We have audited the financial statements of Thetford Township for the year ended March 31, 2008, and have issued our report thereon dated September 29, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated June 6, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Thetford Township. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 9, 2008.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Thetford Township (Township) are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed

during the year ended March 31, 2008. There was however a new fund created during the fiscal year, Senior Millage Fund, whose activity has been included in this year's financial statements.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimate of capital asset lives.

Management's estimate of the capital asset lives is based on the number of anticipated years the asset will be useful. We evaluated the key factors and assumptions used to develop the capital asset lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the custodial credit risk of bank deposits.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management related to sewer and water bond payable, adjustments posted in the wrong year, state share revenue receivable, sewer and water depreciation, sewer and water receivables, tax receivable for delinquent real, due to and due from to balance, waterline paid for by community development, receivable and due to governments in tax fund, and accrued interest.

***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated September 29, 2008.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization's auditors.

This information is intended solely for the use of the Board and management of Thetford Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in cursive script, appearing to read "Peggy Haw Jury".

Peggy Haw Jury, CPA, CFE